

**SPECIAL SESSION
January 12, 2004**

The Board of Supervisors of Maricopa County, Arizona convened in Special Session at 9:00 A.M., January 12, 2004, in the Supervisors' Conference Room, 301 West Jefferson, Maricopa County, Phoenix, Arizona, with the following members present: Andrew Kunasek, Chairman, District 3; Fulton Brock, District 1, Don Stapley, District 2, Max W. Wilson, District 4 and Mary Rose Wilcox, District 5 (entered late). Also present: Fran McCarroll, Clerk of the Board, Shirley Million, Administrative Coordinator, David Smith, County Administrative Officer and Paul Golab, Deputy County Attorney.

DISCUSSION REGARDING HOSPITAL TRANSITION PROJECT MANAGEMENT.

Tom Manos gave a PowerPoint presentation reporting on three items impacting the Health Care District transition – the first being the progress made to date for a January 2005 transition. The second item was the uncertainty that employees at MIHS (Maricopa Integrated Health System) are experiencing for which he offered recommendations to ease their distress. Thirdly, he reported on the status of selecting the management consultant that will be hired to help identify the necessary tasks for a successful transition and to also assure that the system is operating as efficiently as possible when it is handed off to the Board of Directors of the new District. (ADM2100-005)

He reported that the Board of Supervisors (BOS) have already established four-tracks for the transition: the legal track with Rick Romley, Chris Keller and Bill Sims as leaders; the financial track with Tom Manos heading the team; 3) the transactional track with Rick Romley and Mr. Manos as leaders; and 4) the operations track, which will be headed by the new management consultant with oversight by County managers.

The major functional areas needing to be addressed include seven transactional areas that have been identified so far. Teams have been chosen for these. Mr. Manos said "Be assured that we have the right people working on this, both in terms of technical expertise and also with broad representation of all viewpoints." He listed these areas and briefly outlined what needs to be done in each:

- **Contracts:** Identify and review contract language that will assign contracts to the District, prepare amendments, draft notification letters and prepare a summary of the contracts for the new directors.
- **Fixed assets:** Identify and inventory assets and supplies, develop an audit plan and timetable and prepare a report for the new directors.
- **Real Estate:** Obtain appraisals, negotiate lease agreements and review all leases made prior to transfer.
- **Disproportionate Share Payments:** Develop strategies for recovering annual funds (\$75 million) withheld from the State Shared Sales Tax monies during the transfer of federal reimbursement of Dispro funds.
- **Balance Sheet items:** Verify all assets and liabilities, i.e., net account receivables, prepaid assets, other receivables, accounts payable and IBNR (incurred but not received) claim liabilities.
- **Purchase of Service Agreements:** Develop reciprocal services between the County and District, i.e., prisoner medical services, and/or benefits for District employees.
- **Human Resources:** Develop a transparent transition for employee benefits.

Supervisor Wilson raised the question of who would advise the Supervisors from the District's point of view. Supervisor Stapley agreed that such representation was desired. He added that it would also provide protection against possible future charges that the Board of Supervisors had not properly considered the matter from any point of view but the County's well being. He asked if the new management consultant could appoint someone to report on the District's view in all transactions leading to the transition.

David Smith said that Mr. Manos planned to address the matter of the consultant later in his presentation and added that this hiring was on an expedited time schedule and a meeting on it would be held later in the day. He said, "I am confident that your concerns to have the ability, both in the reality and the perception of the reality, to look out for every single interest that the District might have will be covered."

Supervisor Stapley asked how the Board would receive legal advice as it relates to the District's interests.

Mr. Smith said there are complex proposals that include legal representation in the selection process and methods of contracting and subcontracting will be applied using the kind of legal expertise that has guided similar transactions elsewhere in the country.

DISCUSSION REGARDING EMPLOYEE ISSUES RELATED TO THE HOSPITAL TRANSITION.

Mr. Manos said the most transitional work to date has been done on employee issues because of the urgent need to reassure MIHS employees with regards to future benefits. In an effort to make the transition as transparent as possible the issues that have been addressed, including recommendations, are as follows:

~ Supervisor Wilcox entered the meeting ~

- **Leave balances and accrual rates:** Current balances and rates will transfer based on keeping the same effective date of employment.
- **State retirement system:** There is no choice on this and employees will remain as participants
- **Salary rates:** Current rates of pay will transfer.
- **Healthcare and other benefits:** The County contract will cover MIHS employees until the new Board takes over. With regards to health care Mr. Sims said it should be easy to amend the statute to include the word "district," along with county, city and towns, for self-insurance eligibility.
- **Deferred compensation:** This benefit will not change. New Directors may direct differently.
- **Merit system:** The District may establish its own merit system or purchase that service from the County.

Mr. Smith said that both the "knowns and unknowns" would be relayed to MIHS employees by the end of this week but he hoped their comfort-level would be eased on hearing today's recommendations. Discussion ensued on establishing a communications system where MIHS employees could ask questions and receive necessary information via e-mail and a newsletter column.

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Mr. Manos ended his discussion with an update on the selection of a management consultant for the transition indicating that the solicitation was issued December 12, 2003, and responses were received the week of January 8, 2004. He said that these were reviewed over the past weekend and will be discussed at a meeting later today. He felt interviews would be held later this week and it is hoped a selection will be reached by January 16th with the contract awarded prior to January 30th. He said that five proposals had been received for consideration.

Bil Bruno, former Hospital Board member, asked what the time frame would be for establishing the new district. He was told that this had not been determined and the only hard date at this time is prior to the election in November. They anticipate action in late February or early March, preferably as soon as possible.

DISCUSSION REGARDING PROPOSED EL PASO NATURAL GAS STORAGE IN THE VICINITY OF LUKE AIR FORCE BASE IN THE WEST VALLEY.

Doug Fant, Esq., an energy attorney

Jay Bailey, MCB & Associates Petroleum Engineering, Environmental & Safety Consultant

Doug Fant and Jay Bailey said they represent west-side farmers who are worried about hazardous and safety issues that could arise from the proposed pipeline and salt cavern gas storage facility in the West Valley. This particular salt cavern storage is calculated to hold 10 billion cubic feet of working, natural gas, which would make it one of the largest in the U.S. Mr. Bailey said that this is the first of four proposed gas storage projects in the State to be pushed by El Paso. He added that they are still in the preliminary stages of acquiring rights-of-way for 36 miles of pipeline that would extend from south of Phoenix, north through portions of the County and several West Valley cities and towns to a salt cavern just east of Luke Air Force Base. Under the Natural Gas Act, FERC (Federal Energy Regulatory Commission) has plenary power over natural gas movement, storage and interstate commerce. He said that currently there are no Arizona statutes that cover such storage issues. Mr. Fant explained that there are 400 gas storage facilities in the U.S. and 20-25 of these use salt domes or caverns for storage.

Chairman Kunasek said that the Board has long been public in expressing concerns for the safety and future interests of Luke. He added that there is also great concern for the heavily populated West Valley metro areas that piping for this project as well as the proposed natural gas storage positioned near the Air Force Base and nearby residential areas could be very dangerous. He indicated that El Paso representatives had not contacted him and he would welcome meeting with them to discuss this issue.

Supervisor Brock said he personally had no knowledge pertaining to this matter and felt that the Board as a whole has had little experience with natural gas transportation and its storage in salt caverns. He asked for a broader explanation for those who have "a zero field of reference."

~ Supervisor Wilcox left the meeting ~

Chairman Kunasek shared his understanding of the matter by saying that suitable salt caverns are pumped full of water to dissolve the salt and then the water is pumped out to leave an empty cave, which is then pumped full of gas. This is done by pressurized pumping methods. A large amount of salt brine is pumped out in the process that must then be disposed of.

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Mr. Bailey explained that he, Mr. Fant and John Sanders, Sanders Engineering, an air emissions specialty company, have become involved in safety issues with regards to the transportation and storage of gaseous substances including natural gas, and have devised some possible alternatives. He advised that gas pipelines and storage facilities should be treated like an industrial facility and could be addressed the same as any other type of factory or installation would be addressed. He explained that storage and transportation are two separate operations and are regulated differently and that federal regulations must necessarily take a broader view than one from a regional, state or municipal standpoint. DOT (Department of Transportation) regulates interstate pipelines and EPA (Environmental Protection Agency) are the primary agencies involved but they are not the only ones.

When it comes to risk, he explained that emergency response is primarily at the local level except for emergencies within the facility. He said that oil and gas operators are ill equipped and unprepared to respond to emergencies "outside the fence" of the facility. Pipelines are outside of that fence and all operators can do if a leak develops is to control the source of the emission or discharge. He said there are two things to look at – the likelihood of an accident happening and the consequences of such an accident. The worst possible scenario is what must be considered with a new facility.

~ Supervisor Stapley left the meeting ~

Mr. Bailey said this facility would deal with methane and CH₄, which is the simplest form of hydrocarbon. CH₄ is lighter than air, colorless and odorless (unless sulfur or another chemical has been added for safety reasons). Methane only needs to occupy 5% of the atmosphere to be ignitable and because it isn't toxic you could be in a room full of it and not realize it unless there was enough in a closed area to displace the oxygen.

He cited several accidents that had occurred with methane. A natural gas rupture in a 30-inch pipeline with 600 psi (pounds per square inch) near Carlsbad, New Mexico in 2000 ignited and burned for 55 minutes with flames reaching 496 feet high. The explosion created a crater 51x113 feet across and 6-8 feet deep. A 26 foot long piece of the 50 year-old pipeline was found 287 feet from the crater. Twelve persons camping 675 feet away died of thermal burns, CO poisoning and smoke inhalation and three vehicles were destroyed. On January 17, 2001, a natural gas explosion and fire destroyed two downtown businesses in Hutchinson, Kansas. The next day another explosion occurred at a mobile home park three miles away, where two residents died. A forced evacuation of hundreds of people resulted as gas geysers began erupting throughout the area spewing a mixture of natural gas and saltwater. These were caused by pathways to the surface from abandoned brine wells used for solution mining of salt.

~ Supervisor Stapley returned to the meeting ~

Federal regulatory methods equate the potential impact circle or danger zone (HCA) of the proposed pipeline at approximately 1,320 feet (a radius of 660 ft.). That model risk was set from the guideline that supposes that within one minute a person could run 660 feet, find shelter and hide from the impact. Mr. Fant said the proposed pipeline to Luke would have a 36-inch pipe and 780-psi, bigger and heavier pressure than the aforementioned-ruptured pipeline in New Mexico. He cautioned that the 12 people killed in New Mexico were sleeping outside the HCA zone. Mr. Bailey added that pipeline gas isn't odorized and a leak wouldn't be noticed through smell as it is in someone's kitchen. Depending on weather conditions and pressure in the pipe an ignitable plume from a gas leak in the proposed pipeline could extend as far as 2-3 miles beyond the leak, far beyond the perimeter of the gas storage facility.

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FERC holds the ultimate decision-making authority on gas pipelines and storage facilities. They encourage cooperation between interstate pipelines and local authorities. However, this does not mean that state and local agencies, through application of state or local laws, may prohibit or unreasonably delay the construction or operation of facilities that are approved by this Commission.

**~ Supervisor Wilcox returned to the meeting ~
~ Supervisor Brock left the meeting ~**

Mr. Bailey reported on some of the problems incurred in salt domes that included subsidence problems with structural collapse and sink holes; along with loss of cavern integrity because of leaks around the drilled pipe opening and geological interference – as happened in the Hutchinson, Kansas, incident. He said that salt cavern storage is relatively new and control and monitoring aren't yet an exact science for them and they have not been proven to be a 100% stable environment. Discussion ensued on salt caverns as storage facilities.

Supervisor Wilson expressed major concern with this kind of storage being located so close to populated areas, schools and to Luke. He indicated that El Paso has already purchased 400 acres of ground and said that they do not need the approval of the Corporation Commission, the State Legislature or Maricopa County to implement their plan. He believes it is best to address this problem before the project progresses any further.

~ Supervisor Brock returned to the meeting ~

Mr. Fant said there are multiple other locations in the mountains to the east of the Valley that could be used for storage and the danger would be kept away from urban areas.

It was decided to seek aid from Arizona's congressional representatives, from Luke, from the Valley's cities and towns and Maricopa County to protest this application. Numbers are imperative as the larger the opposition the more likely government would be to listen.

Supervisor Brock said he would reluctantly support the resolution but believes the presentation was not objective and El Paso's views should also be heard.

Chairman Kunasek said that El Paso has not contacted the Board to present their case but the fact that Luke had concerns had impressed him as to the serious nature of this news. He feared it could heavily impact the long-term viability of the base when the committee meets later this year to draw up their new list of base closings. (ADM3423)

RESOLUTION REGARDING THE PLACEMENT OF A NATURAL GAS STORAGE FACILITY NEAR LUKE AIR FORCE BASE

Motion was made by Supervisor Wilson, seconded by Supervisor Stapley, and unanimously carried (5-0) to adopt a resolution opposing the placement of a natural gas storage facility near Luke Air Force Base. (ADM3423) (ADM681)

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**RESOLUTION
Of the Maricopa County Board of Supervisors
Regarding the Proposed Placement of the
El Paso Natural Gas Storage Facility**

WHEREAS, the Board of Supervisors has been informed that El Paso Natural Gas Co. is planning to place a 9.6 billion cubic foot storage facility in salt caverns generally located near El Mirage Road between Northern and Glendale Avenues; and

WHEREAS, this location is within a mile of Luke Air Force Base, the base hospital, Luke Elementary School and base housing; and

WHEREAS, some of the neighbors, including Luke AFB officials, and some local and state officials oppose this placement, citing the safety of the people who live and work nearby; and

WHEREAS, such a facility could be damaged by events such as a natural disaster or an act of sabotage causing a gas leak; and

WHEREAS, it has been reported that an independent analysis of the risk of a potential gas leak indicates the wind could carry natural gas over the area occupied by the elementary school, base housing, Luke AFB hospital and the base itself;

NOW THEREFORE, be it resolved that the Board of Supervisors opposes the placement of this storage facility for natural gas at this proposed location and urges El Paso Natural Gas Co. to find a more suitable location more isolated from Luke Air Force Base and away from population centers and local communities.

DATED this 12th day of January 2004.

/s/ Andrew Kunasek, Chairman of the Board

ATTEST:

/s/Fran McCarroll, Clerk of the Board

MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned.

Andrew Kunasek, Chairman of the Board

ATTEST:

Fran McCarroll, Clerk of the Board